



KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

金蝶國際軟件集團有限公司

(incorporated in the Cayman Islands with limited liability)

QUARTERLY REPORT

FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2002

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This report, for which the directors of Kingdee International Software Group Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to Kingdee International Software Group Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Financial highlights for the nine months ended 30th September, 2002

- Turnover increased by approximately 56.9% over the same period in 2001 to approximately RMB212,669,000.
- Profit attributable to shareholders increased by approximately 7.8% over the same period in 2001 to approximately RMB15,538,000.
- Basic earnings per share increased by approximately 3.8% over the same period in 2001 to approximately RMB3.538 cents.

The board of directors (the “Board”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30th September, 2002, together with the comparative unaudited consolidated figures for the corresponding periods in 2001 are as follows:

	Notes	Three months ended 30th September,		Nine months ended 30th September,	
		2002 Unaudited RMB'000	2001 Unaudited RMB'000	2002 Unaudited RMB'000	2001 Unaudited RMB'000
Turnover	2	78,535	47,554	212,669	135,576
Cost of sales		(10,351)	(10,858)	(27,573)	(26,779)
Gross profit		68,184	36,696	185,096	108,797
Selling expenses		(43,348)	(23,299)	(107,822)	(65,271)
General and administrative expenses		(23,234)	(11,591)	(60,530)	(31,088)
Other (expenses) income, net		279	1,986	(434)	2,991
Operating profit		1,881	3,792	16,310	15,429
Investment income (loss), net		–	(101)	–	(101)
Finance income (cost), net	3	125	982	530	1,065
Share of results of an associate		(500)	–	(500)	(203)
Profit before taxation		1,506	4,673	16,340	16,190
Taxation	4	104	(224)	(1,508)	(2,104)
Profit after taxation		1,610	4,449	14,832	14,086
Minority interests		811	(118)	706	333
Profit attributable to shareholders		<u>2,421</u>	<u>4,331</u>	<u>15,538</u>	<u>14,419</u>
Dividends		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share					
– basic	5	<u>RMB0.549 cents</u>	<u>RMB0.989 cents</u>	<u>RMB3.538 cents</u>	<u>RMB3.409 cents</u>
– diluted	5	<u>RMB0.543 cents</u>	<u>RMB0.984 cents</u>	<u>RMB3.505 cents</u>	<u>RMB3.406 cents</u>

Notes:

1. Basis of preparation

All significant intercompany balances and transactions, including intercompany profits, are eliminated on consolidation. The financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated results have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

2. Turnover

Turnover comprises the following:

	Three months ended 30th September,		Nine months ended 30th September,	
	2002 Unaudited RMB'000	2001 Unaudited RMB'000	2002 Unaudited RMB'000	2001 Unaudited RMB'000
Sales of software	66,000	42,977	182,263	119,476
Sales of hardware	167	218	232	1,602
Solution consulting and support service income	12,368	4,359	30,174	14,498
	<u>78,535</u>	<u>47,554</u>	<u>212,669</u>	<u>135,576</u>

Turnover disclosed above is net of applicable business tax and value added tax in Mainland China.

3. Finance income (costs), net

	Three months ended 30th September,		Nine months ended 30th September,	
	2002 Unaudited RMB'000	2001 Unaudited RMB'000	2002 Unaudited RMB'000	2001 Unaudited RMB'000
Interest income	183	1,026	690	1,497
Less: Interest expenses on bank loans	44	33	106	377
Others	14	11	54	55
	<u>125</u>	<u>982</u>	<u>530</u>	<u>1,065</u>

4. Taxation

Taxation represents:

	Three months ended 30th September,		Nine months ended 30th September,	
	2002 Unaudited RMB'000	2001 Unaudited RMB'000	2002 Unaudited RMB'000	2001 Unaudited RMB'000
Mainland China income tax				
– Current income tax	222	1,588	2,085	3,664
– Deferred income tax	(326)	(1,364)	(577)	(1,560)
	<u>(104)</u>	<u>224</u>	<u>1,508</u>	<u>2,104</u>

As the Group had no income assessable for profit tax in the Cayman Islands or in Hong Kong for the nine months ended 30th September, 2002 (the nine months ended 30th September, 2001: Nil), no provision had been made for profit tax for both jurisdictions.

The Group’s subsidiary, Kingdee Software (China) Co., Ltd. (“Kingdee China”), is a wholly foreign-owned enterprise located in the ShenZhen Special Economic Zone and is entitled to full exemption from Mainland China Enterprise Income Tax (“EIT”) for two years and a 50% reduction in the next three years thereafter starting from the first profit making year after offsetting prior year losses. According to the “Provisions on further support to the high-technology enterprises” Shen Fu [1998] No. 29 issued by the Shenzhen Municipal Government, enterprises that are recognized as a high-technology enterprise are entitled to a further tax holiday on EIT. Pursuant to an approval document issued by the tax bureau dated 5th March, 1999, Kingdee China is subject to income tax at the rate of 7.5% for 5 years starting from 1999 as it is recognized as a high-technology enterprise.

5. Earnings per share

Earnings per share had been prepared on the assumption that the 1,000,000 shares of HK\$0.10 each issued at par and fully paid during the Reorganisation and the capitalisation issue of 349,000,000 shares by the then owners had taken place prior to the three months ended 31st March, 2001.

Basic earnings per share for the three months and nine months ended 30th September, 2002 had been calculated by dividing profit attributable to shareholders of approximately RMB2,421,000 and RMB15,538,000 respectively (the three months and nine months ended 30th September, 2001 were approximately RMB4,331,000 and RMB14,419,000 respectively) by the weighted average number of 440,886,908 shares and 439,179,036 shares respectively (the three months and nine months ended 30th September, 2001: 437,750,000 shares and 423,002,000 shares respectively) in issue during the period.

Diluted earnings per share for the three months and nine months ended 30th September, 2002 had been calculated by dividing diluted profit attributable to shareholders of approximately RMB2,434,000 and RMB15,561,000 respectively (the three months and nine months ended 30th September, 2001 were approximately RMB4,335,000 and 14,438,000 respectively) by the weighted average number of 448,526,908 shares and 444,009,036 shares respectively (the three months and nine months ended 30th September, 2001: 440,520,000 shares and 423,896,000 shares) after adjusting for the effects of all potential dilutive shares during the period.

6. Movement on shares issued

	Number of shares '000	Nominal value HK\$'000	Nominal value RMB'000
Share capital as of 1st January, 2002	437,750	43,775	46,840
Add: shares issued to TCL (note)	3,137	314	331
Share capital as of 30th September, 2002	440,887	44,089	47,171

Note: Increase in shares issued was due to the Group issued 3,136,908 shares at HK\$2.03 per share on 27th May, 2002 to TCL Industries Holdings (H.K) Limited ("TCL") as payment of the consideration for the acquisition of Beijing Case Software Technology Company Limited.

7. Movements of capital and reserves

Movements in the capital and reserves of the Group for the three months and nine months ended 30th September, 2002 and the three months and nine months ended 30th September, 2001 were as follows:

	Share Capital Unaudited RMB'000	Share Premium Unaudited RMB'000	Merger Reserve Unaudited RMB'000	Capital Reserve Unaudited RMB'000	Reserve Fund Unaudited RMB'000	Exchange Reserve Unaudited RMB'000	Retained Earnings Unaudited RMB'000	Total Unaudited RMB'000
Balances as at 1st July, 2001	46,813	30,834	6,570	19,255	3,334	-	41,562	148,368
Disposal of investment	-	-	-	(284)	-	-	-	(284)
Execution of options	27	249	-	-	-	-	-	276
Profit for the period	-	-	-	-	-	-	4,331	4,331
Balance as at 30th September, 2001	<u>46,840</u>	<u>31,083</u>	<u>6,570</u>	<u>18,971</u>	<u>3,334</u>	<u>-</u>	<u>45,893</u>	<u>152,691</u>
Balances as at 1st July, 2002	47,171	37,502	6,570	18,864	8,184	(683)	65,137	182,745
Disposal of investment	-	-	-	-	(12)	-	-	(12)
Translation adjustments	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	2,421	2,421
Balance as at 30th September, 2002	<u>47,171</u>	<u>37,502</u>	<u>6,570</u>	<u>18,864</u>	<u>8,172</u>	<u>(683)</u>	<u>67,558</u>	<u>185,154</u>
Balances as at 1st January, 2001	107	-	6,570	19,255	3,334	-	31,474	60,740
Capitalisation issue	37,343	(37,343)	-	-	-	-	-	-
Shares issued on 14th February, 2001 (net amount having taken into account issuing expenses of approximately RMB18,894,000)	9,363	68,177	-	-	-	-	-	77,540
Disposal of investment	-	-	-	(284)	-	-	-	(284)
Execution of options	27	249	-	-	-	-	-	276
Profit for the period	-	-	-	-	-	-	14,419	14,419
Balance as at 30th September, 2001	<u>46,840</u>	<u>31,083</u>	<u>6,570</u>	<u>18,971</u>	<u>3,334</u>	<u>-</u>	<u>45,893</u>	<u>152,691</u>
Balances as at 1st January, 2002	46,840	31,083	6,570	18,864	8,184	(683)	56,660	167,518
Shares issued as at 27th May, 2002	331	6,419	-	-	-	-	-	6,750
Final dividends for 2001	-	-	-	-	-	-	(4,640)	(4,640)
Disposal of investment	-	-	-	-	(12)	-	-	(12)
Translation adjustments	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	15,538	15,538
Balance as at 30th September, 2002	<u>47,171</u>	<u>37,502</u>	<u>6,570</u>	<u>18,864</u>	<u>8,172</u>	<u>(683)</u>	<u>67,558</u>	<u>185,154</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2002 (the nine months ended 30th September, 2001: Nil).

FINANCIAL PERFORMANCE

The financial results of the Group for the nine months ended 30th September, 2002 showed remarkable growth as compared to the corresponding period in 2001. The Group's consolidated turnover for the nine months ended 30 September 2002 was approximately RMB212,669,000 representing an increase of approximately 56.9% compared to the same period in 2001 (for the nine months ended 30th September 2001: RMB135,576,000).

Gross profit of the Group increased by approximately 70.1% from approximately RMB108,797,000 to approximately RMB185,096,000. For the nine months ended 30th September, 2002, a gross profit margin of approximately 87.0% was recorded (the nine months ended 30th September 2001: 80.3%).

Although the outlay of the recruitment in the respect of technology development and consultation due to the reconstruction of Beijing Case Software Technology Company Limited ("Beijing Case"), and the investment in the new product development, the group's profit attributable to shareholders for the nine months ended 30th September, 2002 increases by approximately 7.8% to approximately RMB15,538,000 (the nine months ended 30th September 2001: RMB14,419,000).

BUSINESS OBJECTIVE REVIEW

During the period under review, Kingdee International continued its efforts to promote the informatization of Chinese enterprises and helped customers succeed by providing them with its reliable products. According to 'The Special Research on the Competitiveness of Chinese Management Software Enterprises' conducted in September 2002, a report jointly produced by China Center for Information Industry Department (CCID) and CCID Consulting Co., Ltd. (CCID Consulting), Kingdee International's management software products were awarded as the most competitive products in China in terms of product functions, modules satisfaction and integration, industry applicability and coverage, and system expansibility. Kingdee International was honored "Excellent ERP Provider", and its products were awarded "Innovative ERP Technology" and "Excellent Software for Financial Industry", etc. The above honors prove the excellence and reliability of Kingdee International's products comparing to other local competitors in terms of technology and industrial applications.

During the period under review, after a series of strict examinations and appraisal, Kingdee International won three "863 projects", thanks to its advanced technologies, product quality, an extensive base of successful customers and in-depth industry applications. "863" project is a plan to support the development of high-tech industry by the PRC government. These projects, accredited as "National Hi-tech Projects", will receive tremendous financial and technical support from the government. Winning the bids serve as evidence that Kingdee International's products are recognized and approved by both the government and the experts. Kingdee International will not only receive funding support from national and local governments, but also technical advisory from national 863 experts. The above-mentioned event will undoubtedly help Kingdee International to develop more competitive industry solutions and new industry applications so as to further enhance the technology level of Kingdee International's ERP products.

Kingdee International's revenue model lies in transforming its advanced technology into customers' resources and income. During the period under review, it recorded considerable increase in sales revenue.

While continuously serving small and mid sized enterprises, Kingdee International has made tremendous progresses in providing ‘total enterprise informatization solutions’ to large-scale customers in China. Kingdee International has provided informatization solutions to a number of renowned giant companies in various industries, including China Everbright Bank, China FAW Trading General Corporation, Hangzhou Cigarette Factory, Jinbei Car Manufacturing Co., Ltd., Jiangxi Coal Group, Beidahuang Rice Group, XJ Group Corporation, China Worldbest Group Co., Ltd and Advantech, etc. In addition, it has signed strategic cooperation agreement with China Travel Service (Holdings) Hong Kong Limited, which demonstrates its capability to be a ‘total enterprise informatization solutions’ provider for the conglomerates in the international market.

Customers’ successful application lays the foundation for Kingdee International’s brand. During the period under review, Kingdee International strenuously promoted the ‘Eastern Pearl Project’. The aim of the project is to collect customers’ successful application experiences. By exploring the value, merits and results of customers’ application, Kingdee International associated with enterprises and engaged experts to promote the management experience of the ‘Pearl’ companies, and to summarize and abstract the tools and methods satisfying the demands for management informatization by Chinese growing enterprises. The successful application by ‘Pearl’ customers’ best demonstrates that Kingdee International is effective in leading its customers towards success.

Along with Kingdee International’s acquisition of Beijing Case and Asia 21-Cybics Technology Limited early this year, its ability in developing total solution was strengthened. CASE is well experienced in providing informatization solutions to big customers, and has many famous names in its customer list. After the acquisition, Kingdee International has restructured CASE’s resources in order to fully explore its advantage in industry application. During the period under review, Kingdee International has successfully upgraded a series of products including Total Electronic Enterprise Management System (TEEMS), K/3 ERP system, Customer Relationship Management (CRM), Office Automatization (OA). The analysis and design of the K3.NET, which is based on MICROSOFT.NET was completed. Meanwhile, the cooperation between Kingdee International and Brio Software, a business intelligence software provider, contributed to strengthen Kingdee International’s total enterprise informatization solution development. The Board believes the above products will satisfy the needs of customers of different sizes and in different industries, and will further consolidate its leading position in the PRC’s management software market.

PROSPECTS

According to CCID’s survey, the sale revenue of Chinese management software in the first half of 2002 has recorded an increase of 32.4% comparing to the corresponding period of last year. In view of the high growth, Kingdee International will further leverage on its competitive advantage in technology, product quality, and industry application to strengthen the marketing of “total enterprise informatization solutions” to industry customers and conglomerates. In order to consolidate its leading position in the management software market, Kingdee International will continue to look for synergistic partners for acquisition opportunities, to launch K/3.NET within the year, and to further explore the overseas market.

INTERESTS OF DIRECTORS IN EQUITY SECURITIES

As at 30th September, 2002, the beneficial interests of the Directors in the shares or securities of the Company or any associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (“SDI Ordinance”)) required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have been taken under section 31 of, or Part 1 of the Schedule to the SDI Ordinance), or required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or required pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of

Securities on the GEM (“GEM Listing Rules”) to be notified to the Company and the Stock Exchange, were as follows:

(a) The Company

Name of Directors	Number of Shares/Shares available under the share option (where appropriate)	Nature of Interests	Approximate percentage of interest
Xu Shao Chun (<i>Note 1</i>)	141,916,250	Corporate (<i>note 2</i>)	32.19%
	1,599,500	Other (<i>note 3</i>)	0.36%
	1,500,000	Share option (<i>note 4</i>)	N/A
Xu Wen Hui	2,154,500	Personal	0.49%
	1,599,500	Other (<i>note 3</i>)	0.36%
	500,000	Share option (<i>note 4</i>)	N/A
Zhang Wen Xing (<i>Note 1</i>)	1,599,500	Other (<i>note 3</i>)	0.36%
Hugo Shong	5,250,000	Personal	1.19%
	1,599,500	Other (<i>note 3</i>)	0.36%
Zhao Yong	66,601,750	Personal	15.11%

Notes:

- In February 2001, Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun, was granted rights of first refusal in the future sale of 37,950,500 shares held by 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and Mr. Hugo Shong, a non-executive director and a consultant of the Group. Each of the 154 employees of the Group had also undertaken to Project China Limited that if he/she is, within one year after he/she leaves the employment of the Group, involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her shares.
- The 83,606,250 shares were held by Oriental Gold Limited, and the 58,310,000 shares were held by Billion Ocean Limited.
- Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, held 1,599,500 shares as trustee of a discretionary trust established for the benefit of all the former and existing employees and consultants of the Group including Mr. Xu Shao Chun and Mr. Xu Wen Hui, executive directors.
- The share option were granted upon approval of the new share option scheme by the shareholders of the Company at the extraordinary general meeting held on 26th April, 2002.

THE PRE-IPO SHARE OPTION SCHEME

Pursuant to the pre-IPO share option scheme adopted by the Company on 30 January 2001, options to subscribe for 1,000,000 shares and 300,000 shares of HK\$0.10 each of the Company were granted to Mr. Huang Xiao Jian and Mr. Liu Fan respectively at a subscription price equal to HK\$1.03 per share.

All of these options have a duration of 10 years from the date on which dealings in the Shares commence on GEM (i.e. 15th February, 2001), (“listing date”), provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying Shares within 12 months, 24 months and 36 months respectively from the listing date.

Mr. Huang had exercised his share option to subscribe for 250,000 shares on 2 July 2001. As Mr. Huang left the Group on 31 December 2001, his outstanding option to subscribe for the remaining 750,000 shares lapsed on the same date.

As at 30th September 2002, Mr. Liu had not exercised any share option to subscribe for any shares and 300,000 options remained outstanding under the pre-IPO share option scheme.

THE SHARE OPTION SCHEMES

Pursuant to the share option scheme of the Company adopted on 30th January, 2001 (the “Old Scheme”), the full-time employees of any member of the Group (including any executive directors of any member of the Group) may be granted options to subscribe for shares of HK\$0.10 each of the Company.

At the board meeting of the Company held on 27th September, 2001, the Implementation Rules for the Old Scheme (the “Implementation Rules”) were approved to serve as a practical guideline for the issue and grant of the share options, and options to subscribe for a total of 1.72 million shares were granted to 33 full-time employees of the Group at a subscription price equal to HK\$1.49 per share.

This Old Scheme was terminated and replaced by a new share option scheme (“New Scheme”) by ordinary resolution of the shareholders of the Company passed at the Extraordinary General Meeting of the Company held on 26th April 2002. The existing options under the Old Scheme will continue to be valid and exercisable in accordance with its provisions.

At the board meeting of the Company held on 15th May, 2002, options to subscribe for a total of 5.62 million shares were granted to 22 full-time employees (including Executive Directors Mr. Xu Shao Chun and Mr. Xu Wen Hui) of the Group at a subscription price of HK\$1.78 per share pursuant to the New Scheme.

Details of the share options as at 30th September, 2002 which have been granted under the Old Scheme and the New Scheme are as follows:

	Options held at 1st January, 2002	Options granted during the year ⁽¹⁾	Options exercised during the year	Options held at 30th September, 2002	Exercise price HK\$	Grant date
Xu Shao Chun	–	1,500,000	–	1,500,000	1.78	15/05/2002 ⁽³⁾
Xu Wen Hui	–	500,000	–	500,000	1.78	15/05/2002 ⁽³⁾
Continuous contract employees	1,720,000 ⁽²⁾	–	–	1,720,000	1.49	27/09/2001 ⁽⁴⁾
	–	3,620,000	–	3,620,000	1.78	15/05/2002 ⁽³⁾

Notes:

- (1) At the date before the options were granted (i.e. 14th May, 2002), the closing price of the share was HK\$1.73.
- (2) The share options were granted pursuant to the Old Scheme.
- (3) All of these options have a duration of 10 years from the grant date, provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the date of 15th May, 2003.
- (4) These options have a duration of 10 years from the grant date, provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the grant date.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Save as disclosed in the sections headed "Interests of Directors in Equity Securities", "Share Option Schemes" and "Pre-IPO Share Option Scheme" of the 2001 Annual Report of the Group, at no time during the nine months ended 30th September, 2002 was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the register maintained under Section 16(1) of the SDI Ordinance for substantial shareholders showed that shareholders interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of Shares	Approximate percentage of share capital
Oriental Gold Limited (<i>Note 1</i>)	83,606,250	18.96%
Mr. Xu Shao Chun (<i>Note 1</i>)	141,916,250 (<i>Note 2</i>)	32.19%
Billion Ocean Limited	58,310,000	13.23%
Mr. Zhang Wen Xing	1,599,500 (<i>Note 3</i>)	0.36%
Mr. Zhao Yong	66,601,750	15.11%

Notes:

1. In February 2001, Oriental Gold Limited was granted rights of first refusal in the future sale of 37,950,500 shares held by 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and Mr. Hugo Shong, a non-executive director and a consultant of the Group. Each of the 154 employees of the Group had also undertaken to Project China Limited that if he/she is, within one year after he/she leaves the employment of the Group, involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her shares.
2. The 83,606,250 shares were held by Oriental Gold Limited, and the 58,310,000 shares were held by Billion Ocean Limited. Xu Shao Chun was also interested in 1,599,500 Shares as one of the discretionary objects of the discretionary trust set up for the benefit of the existing and former employees and consultant of the Group which such Shares were held by Project China Limited.
3. The shares were held by Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, as trustee of a discretionary trust set up for the benefit of the existing and former employees and consultants of the Group, including Mr. Xu Shao Chun and Mr. Xu Wen Hui, executive directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

At the 2001 annual general meeting of the Company held on 26th April, 2002 ("AGM"), and ordinary resolution was passed to grant a general mandate to the directors of the Company to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution.

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities for the nine months ended 30th September, 2002.

CHANGE OF DIRECTORS

Pursuant to article 116 of the articles of association of the Company, Mr. Zhu Qi Heng retired as an independent non-executive director of the Company by rotation at the AGM. However, Mr. Zhu Qi Heng had notified the Company that, due to his personal reasons, he decided not to offer himself for re-election as an independent non-executive director of the Company at the AGM. In accordance with articles 117 and 120 of the articles of association of the Company, the Board recommended Mr. Wu Cheng as an independent non-executive director of the Company to be elected at the AGM.

Mr. Wu Cheng was elected as the independent non-executive director of the Company at the AGM in place of Mr. Zhu Qi Heng.

COMPETING INTEREST

None of the directors had an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As at 30th September, 2002, none of the Company's sponsor, BNP Paribas Peregrine Capital Limited, its directors, employees or associates held any interest in the securities of the Company or any member of the Group, or the right to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 1st February, 2001 entered into between the Company and BNP Paribas Peregrine Capital Limited, BNP Paribas Peregrine Capital Limited will receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 15th February, 2001 to 31st December, 2003.

AUDIT COMMITTEE AND ITS DUTIES

As at 30th September, 2002, the audit committee of the Company comprises of Mr. Xu Wen Hui, executive director, Ms. Yang Zhou Nan and Mr. Wu Cheng, both being the independent non-executive directors. Ms. Yang Zhou Nan is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee had convened and held the meetings on 25th March 2002, 14th May 2002, 12th August 2002 and 12th November 2002 respectively to review the accounts and reports of the Group and to provide financial advices and recommendations to the Board.

On behalf of the Board
Kingdee International Software Group Company Limited
Xu Shao Chun
Chairman

The People's Republic of China, 13th November, 2002